Mustang Resources Inc.

A NEW BREED OF GROWTH COMPANY
IN THE OIL AND GAS SECTOR

Out of the Gate

ANNUAL REPORT 2002

Mustang in Profile

The emerging oil and gas company that grows its land and operations base through exploration and acquisition is a familiar model in the Canadian oilpatch. In addition to this common strategy, Mustang has employed a new approach and the results are reflected in its first six months of operation. Leveraging opportunity through preferred partnerships, Mustang has assembled exploration and development projects within a focused area of Central Alberta. With a production base acquired and an initial six-well drilling program underway by year end 2002, an initial operations base has been established in its Central Alberta core area. Momentum has been established.

Mustang is positioned for

Mustang is Out of the Gate

- *Initial public offering on August 21, 2002 raised net proceeds of $7.4 million and led to a September 26 listing on the TSX, symbols MUS.A and MUS.B*
- *Three preferred partnership relationships established with Provident Energy Ltd., Birchill Resources Partnership and Crescent Point Energy Ltd. will help support fast-tracked transactions and activity*
- *Completed two acquisitions totaling $7.0 million contributing 510 boe per day ($13,700 per boe per day) adding undeveloped acreage and seismic*
- *Six wells drilled in Central Alberta core area resulting in three gas producers*
- *Completing two of these wells as multi-zone gas wells*
- *Continued internal prospect generation on 600 square miles of 3D seismic in core area*
- *$7.6 million capital program to fund 15 to 20 wells and other activity plus the opportunity to combine with preferred partners to complete larger capital transactions in 2003*

Mustang's first annual meeting for its shareholders will take place at 10:30 a.m. on June 18, 2003. All shareholders are invited to attend the meeting at the Calgary Petroleum Club, 319-5th Avenue SW, Calgary, Alberta.

START:	LEVERAGE:	MOMENTUM:
$7.4 mm raised in IPO	Preferred partnerships	Production acquisitions of 510 boe/d. $7.6 mm capital budget, drilling program and opportunities to accelerate

Mustang is a reflection of its founders and management

PRESIDENT'S MESSAGE TO SHAREHOLDERS

We welcome investors to Mustang, a company which began operations and was publicly listed on September 26, 2002. Mustang was developed as a reflection of the cumulative experience of its founders and management to take advantage of the opportunities that are present in today's industry. There are excellent growth opportunities in the Western Canadian oilpatch, but the successful growth strategies are different today than they were earlier in the industry's development. First, small companies now have the advantage with greater opportunity to post efficient growth from a mature basin. Second, with acquisitions and dispositions key to growing and improving the quality of the asset base, deal-making is a core activity along with exploration and development expertise. At Mustang, we made sure we incorporated these skills in-house and assembled an experienced team with a common drive to succeed. The evidence that Mustang is well positioned can be seen in the momentum established in just a few months of activity.

HIGHLIGHTS OF OUR FIRST SIX MONTHS OF OPERATION INCLUDE

- *A Central Alberta focus area has been established with 16,225 acres of undeveloped land*
- *A drilling program has begun with seven wells drilled to the end of February 2003 and up to 20 additional wells slated for drilling in 2003 based largely on Mustang's 600 square miles of 3D seismic*
- *The first two acquisitions resulted in the addition of 510 boe/d at a cost of $13,700 per barrel per day and $5.85 per established boe of reserves*
- *The acquisition and other exploration activities were supplemented by preferred partner relationships with three active companies: Birchill Resources, Crescent Point Energy and Provident Energy*
- *An increase in net asset value per share of 126% from start-up to year end reflects initial drilling success and acquisitions*
- *Numerous production optimization projects are underway on existing lands to add additional production volumes*
- *Bank lines of credit of $2.7 million were established along with an ability to have them increased to $5.0 million when needed*

Strategies

Before start-up as a public company, Mustang created a well defined business strategy which we believe fits well with the characteristics of the maturing Western Canadian Sedimentary Basin. Our business strategy is focused on delivering sustainable annualized per share growth in reserves, production and cash flow by:

- recruiting and retaining enthusiastic, collaborative and competent technical staff with proven track records;
- utilizing an integrated approach to growth by balancing exploration drilling risk with solid acquisitions and exploitation opportunities;
- establishing a high quality reserve, production and cash flow base in Central Alberta where Mustang has a license to approximately 600 square miles of 3D seismic and where there is up to 10 producing zones;
- establishing preferred joint ventures with strong industry players in order to leverage mutually beneficial opportunities;
- maintaining strict cost controls; and
- maintaining a solid balance sheet and a conservative debt to cash flow ratio.

Acquisitions

Over the past six months Mustang completed two property acquisitions comprising approximately 510 boe/d for a total cost of $6.98 million. The acquired assets were comprised of natural gas and associated liquids (85%) and light gravity crude oil (35–40 degree API). The production is situated in Mustang's Central Alberta core area.

The excellent economic metrics with respect to these acquisitions are as follows:

- $13,700 per producing boe/d;
- established reserve cost of $5.85/boe; and
- 2.3 times cash flow multiple, based on estimated 2003 base production.

In addition these properties provide Mustang with development drilling potential on both operated and non-operated lands along with numerous reactivation, workover and optimization opportunities.

The successful 2002 drilling program has also resulted in three gas wells. Two of the wells have multi-zone capability and are presently producing from one zone. Additional zones will be placed on production in the second half of 2003 once the co-mingling applications are approved. The third well is presently being tied in to be placed on production in the second quarter of 2003.

The Company's reserves were independently evaluated by McDaniel & Associates Consultants Ltd. as having 1.49 million boe of established reserves as at January 1, 2003. This provides Mustang with an established reserve life index of more than seven years based on early 2003 production and has resulted in a 126% net asset value per share increase since inception.

Foundation

Our approach to forming Mustang required the commitment of initial investment by both Board members and management. Each member of the management team and the Board has spent 15 to 25 years in the oil and gas industry. We've all been part of other start-up companies and, like everyone in this industry, we've been through the changes that come from mergers and acquisitions. With this experience, we are clear in our direction and goals for Mustang. It is important to establish strategies and incentives that will support a steady growth program. This experienced team forms a productive environment and we're seeing the benefit of it with the early progress made to date. The 39% of Class A shares held by management and directors also shows that we have the same vested interest as outside shareholders in growing the per share value of the Company.

Partnerships

Success in a highly competitive industry needs an advantage and Mustang's edge will come from its internally generated prospect inventory and supplemented by our preferred partner relationships. Mustang is currently working with three active companies, including one that has already resulted in a successful producing property acquisition.

Birchill Resources Partnership is working with Mustang in the Sylvan Lake area where Birchill will pay 60% to earn 50% on land, seismic and drilling expenditures. To date Birchill has participated with Mustang on four wells in the Sylvan Lake area.

The Crescent Point Energy Ltd. and Provident Energy Ltd. partnerships are focused on sharing exploration and acquisition opportunities. Mustang has agreed to offer a working interest to Crescent Point in prospects defined within the Morningside area which is covered by the Company's 3D seismic base. Mustang will have prospects identified for the second half of 2003. A joint venture was also established with Provident through which Provident may offer prospects to Mustang for participation. In addition this relationship led to the acquisition of oil and gas producing properties and undeveloped lands in the core Central Alberta area.

These partnerships are expected to create more mutually beneficial opportunities, supplementing Mustang's internally generated prospect inventory.

Together

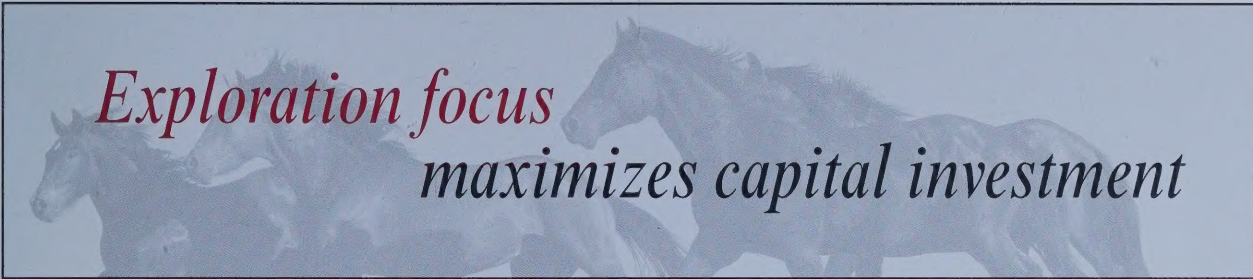
The combined impact of Mustang's strong start, focused strategy and supplementing partnerships is an active drilling program and growing production base. The pace of drilling, with up to 20 wells planned for the year, should allow production to grow steadily. Combining this growth potential with solid product prices has positioned the Company at an opportune time.

I would like to thank our shareholders for their support. In addition, the efforts of our Board, management group and employees to get Mustang *"Out of the Gate"* with a solid growth platform are greatly appreciated. I look forward to reporting our results through 2003.

On behalf of the Board,

R Todd

Richard A. M. Todd
President and Chief Executive Officer
March 21, 2003



Exploration focus maximizes capital investment

APPROACH TO EXPLORATION

Mustang's exploration strategy is focused on taking advantage of our 600-square-mile, 3D seismic along with opportunities arising with the Company's preferred partners. During the first six months of operations, Mustang has concentrated its efforts in Central Alberta where we have internally generated a significant number of prospects which could result in excess of 30 potential locations in our core area. Mustang has approved an initial $7.65 million capital budget for the first nine months of 2003 and will participate in up to 20 gross wells.

MUSTANG'S EXPLORATION STRATEGY

- *Expertise*

  Mustang will have in-house expertise or a high degree of confidence in the company presenting Mustang with exploration opportunities.

- *15 to 20% of exploration capital spent on high impact ideas*

  Mustang will have exposure to high potential impact prospects with the ability to propel Mustang to a higher level of per share value.

- *Leading edge technology will identify high impact, bypass pay opportunities*

  Mustang utilizes sophisticated software that helps evaluate and develop plays and bypass pay zones. We will also determine if new completion and/or drilling techniques can maximize the value of a prospect.

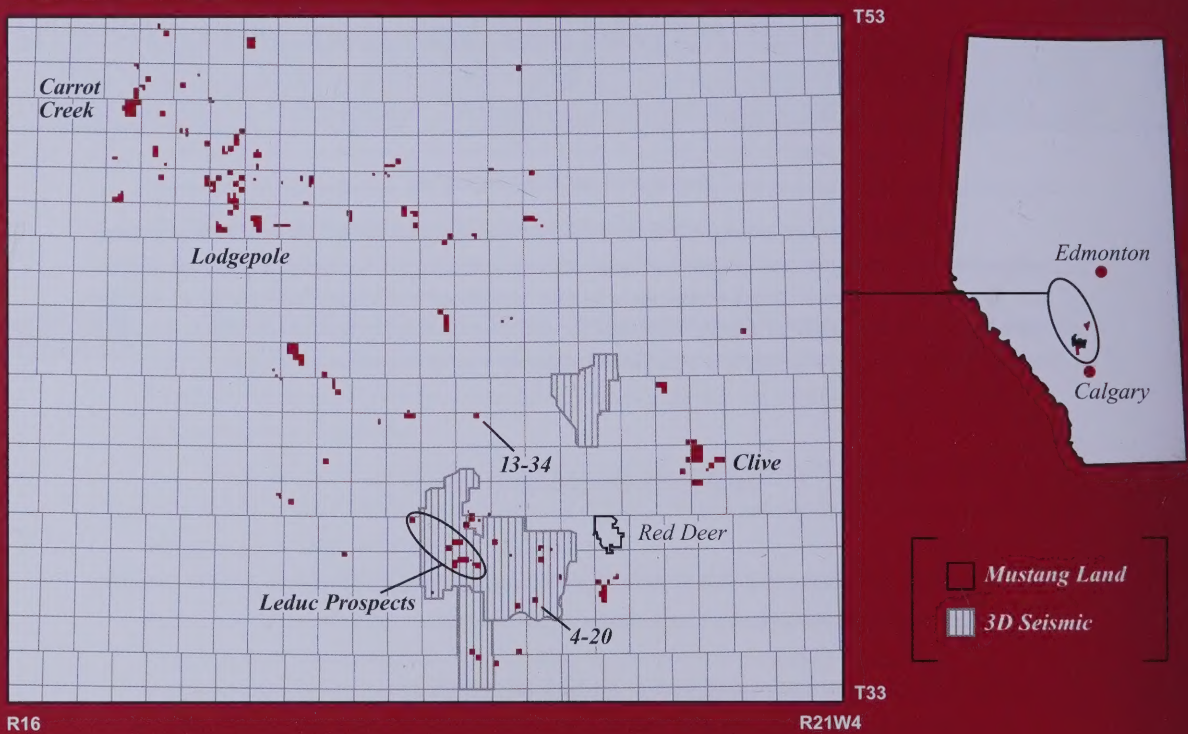
- *Manage capital exposure*

  Mustang will manage participation levels and capital exposure in order to balance the risk of its capital program. Although prospect specific, Mustang will typically limit maximum capital exposure to $500,000 per well.

- *Quick tie-in and less than a three year payout*

  Mustang will be cautious of becoming involved in long payout or winter only access plays. The Company will concentrate on prospects that can be tied in within six months or less and where payout is reached in less than three years.

Focus Areas



Central Alberta Core Area and 3D Seismic Data

Mustang concentrates its internal prospect generation on the 600-square-mile, 3D seismic in its Central Alberta core area. This asset, which would cost over $30 million to shoot, has allowed Mustang to internally generate over 30 drilling opportunities. Four exploration wells were drilled in 2002, testing different exploration concepts. The first of these wells (Tindastoll 4-20) is being tied in, one is suspended and the remaining two were abandoned.

Mustang is using the 3D seismic to develop high impact prospects. One such prospect is a Leduc trend that has resulted in Mustang licencing three locations that will be drilled in the second half of 2003. Two of the wells are located on Crown land (6.5 sections acquired in total) which was acquired with our partner, Birchill, and the third location is a farm-in. The reserve potential for these Leduc prospects range from three to 10 bcf for the two natural gas prospects and 300 to 600 mbbls for the oil prospect.

REVIEW OF MAJOR PROPERTIES

Mustang's business strategy balances exploration risk with acquisitions and development drilling. The Company's main focus in 2002 was to establish a reserves, production and cash flow base in and around its 600-square-mile 3D seismic. A producing property acquisition in November 2002 established a Central Alberta core area with a base of 450 boe/d of production.

Clive

The Clive property produced approximately 375 mcf/d of natural gas and 10 bbls/d of liquids for a total of 73 boe/d at year end 2002. Subsequent to year end Mustang acquired an additional natural gas well at Clive which is producing approximately 340 mcf/d, bringing production to approximately 130 boe/d. Mustang holds working interests ranging from 25 to 100% (average 89%). The Ellerslie, Viking and Belly River formations contribute most of the production. The Company owns 100% of the Clive gas plant, adding approximately $300,000 of processing income per year. Established reserves at January 1, 2003 amounted to 289,000 boe. Mustang has identified numerous reactivation, workover and optimization projects on this property which are currently being implemented.

Carrot Creek

The Carrot Creek property produces approximately 600 mcf/d of natural gas and 40 bbls/d of liquids for a total of approximately 140 boe/d. Mustang holds a 17.7% working interest in six natural gas wells which produce from the Rock Creek and Basal Quartz formations. Upside exists from both of these zones. Established reserves at January 1, 2003 were 218,000 boe. This property has liquids-rich natural gas production which, when combined with low per-unit operating costs, provides a high net back property to Mustang.

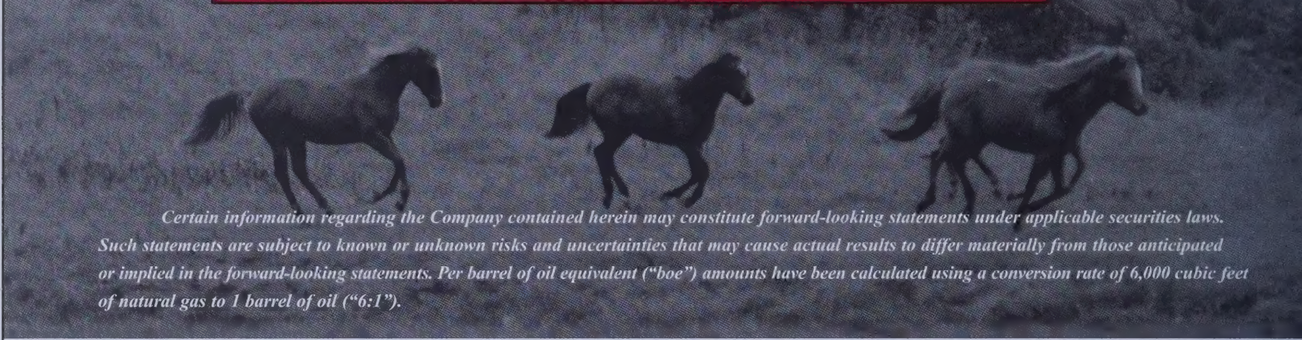
Lodgepole

The Lodgepole property's 2002 production was approximately 390 mcf/d of natural gas and 10 bbls/d of liquids, or approximately 75 boe/d. Mustang's working interests range from 12.5 to 50%, including 14.1% in the Lodgepole gas plant, with the majority of the production coming from the Ostracod and Rock Creek formations. Established reserves at January 1, 2003 were 189,000 boe. Reserves in this area are long-life and generate liquids-rich natural gas production. There is the opportunity for additional third party volumes through the plant to further reduce the already low unit operating costs.

ADDITIONAL OPPORTUNITIES

Mustang participated in two successful, multi-zone gas wells (Gilby 13-34 and Chickadee 6-25) on lands that were part of our November 2002 producing property acquisition. We are continuing to evaluate over 16,000 net acres of undeveloped land and have added a geologist for prospect generation.

Mustang will be developing prospects internally and participating in external opportunities outside our Central Alberta Core Area in 2003, to allow us to develop other focus areas. We will use our exploration strategy to develop both low-risk and high-impact play types in these areas that will maximize the use of our flow-through funds for our investors.



Certain information regarding the Company contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Per barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of 6,000 cubic feet of natural gas to 1 barrel of oil ("6:1").

Revenue

Mustang's revenues were generated from the November 18, 2002 acquisition of natural gas and oil producing properties in Central Alberta. The majority of the revenue related to the main properties at Clive, Lodgepole and Carrot Creek.

Natural gas	$	481,927
Per mcf	$	5.87
Oil and liquids	$	229,777
Per barrel	$	37.91
Processing income	$	48,375
Total oil and natural gas revenue	$	760,079
Oil and natural gas revenue/boe	$	38.48

During the month of December 2002 (first full month of production) the Company averaged 1,911 mcf/d of natural gas and 142 bbls/d of oil and liquids or 461 boe/d in total.

The Company did not have any commodity hedges in place at December 31, 2002. On February 6, 2003 Mustang entered into a natural gas costless collar for a volume of 1,000 GJ/d with a floor price of $4.75/GJ and a ceiling of $9.60/GJ for the period from April 1, 2003 to November 1, 2003.

Other income of $59,888 for the period consisted of interest income.

Royalty Expenses

Royalty costs amounted to $122,033 in 2002. Royalties include payments made to Crown, freehold owners and third parties. The average royalty rate was 16.1% for the period. This rate consisted of a natural gas royalty rate of 18.2% and an oil and liquids average rate of 14.9%. The Company did not receive any Alberta Royalty Tax Credit (ARTC) during the period as the properties acquired were restricted properties for ARTC purposes.

Operating Expenses

Operating expenses in 2002 totaled $140,702 or $7.12/boe.

General and Administrative Expenses

General and administrative expenses incurred by Mustang during the six month period ended December 31, 2002 was as follows:

Gross general and administration expenses	$ 545,165
Overhead recoveries	(153,931)
Capitalized general and administration expenses	(82,667)
Net general and administrative expenses	$ 308,567

Overhead recoveries consisted mainly of a $20,000 per month overhead recovery fee that was received from one of its joint venture partners for an initial one year term which can be renewed at the option of the parties.

The capitalized general and administrative expenses related solely to the Company's exploration and development program.

It is anticipated that general and administrative expenses in 2003 will be reduced on a boe basis once production is received for the entire reporting period.

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration charges calculated on a unit of production method are based on total proven reserves with a conversion of 6 mcf of natural gas being equivalent to 1 bbl of oil. The 2002 depletion calculation includes $570,000 of future capital expenditures to develop the Company's reserves but excludes $1,697,000 of unproven properties relating to undeveloped land. The 2002 depletion and depreciation charge of $136,300 equates to $6.90/boe.

Site restoration charges were $23,000 or $1.16/boe. Depreciation on other assets in 2002 was $19,500.

Future Income Taxes

The Company uses the liability method of income tax allocation for income taxes. The provision for future income taxes at December 31, 2002 was $40,685.

Mustang has the following tax pools at December 31, 2002:

		Maximum Annual Rate of Claim (%)
Canadian oil and gas property expense	$ 4,438,652	10
Undepreciated capital cost	1,235,866	20–30
Share issue costs	665,822	20
Non-capital losses	346,498	100
Canadian exploration expense	56,030	100
Canadian development expense	21,148	30
	$ 6,764,016	

The majority of capital expenditures to be incurred in 2003 will have no associated tax pools due to the initial flow-through renouncements made on the Company's initial public offering in 2002. As such the Company may be in a taxable position by December 31, 2003.

In 2002 the Company did not pay any capital taxes.

Net Earnings and Funds From Operations

Even though Mustang's acquisition of producing properties did not close until November 18, 2002, the Company still managed to generate earnings of $29,180 for the six month period of 2002. This resulted in earnings per share of nil on a fully diluted basis.

Mustang generated funds from operations of $248,665 for the six month period of 2002. In 2003, the Company's guidance is that funds from operations will be in the range of $3.0 to $3.5 million. The forecast is based on projections of 2003 production averaging between 650 and 750 boe/d. Mustang anticipates that commodity prices will average $4.75/GJ for natural gas and $US26.00/bbl for WTI crude oil.

Netbacks

Mustang's 2002 netbacks on a boe basis are as follows:

	Period Ended December 31, 2002 (six months)
P&NG sales	$ 38.48
Royalties	(6.18)
Operating expense	(7.12)
Operating netback	25.18
Interest income	3.03
General and administrative	(15.62)
Cash flow netback	12.59
Depletion and depreciation	(7.89)
Future site restoration	(1.16)
Future income taxes	(2.06)
Earnings per boe	$ 1.48

Note: General and administrative expenses for 2003 will be much lower on a boe basis once Mustang has a full year of production volumes.

Capital Expenditures

In 2002 capital expenditures totaled $7,648,680 and are summarized as follows:

Property acquisition	$ 5,680,880
Drilling and completion of wells	1,235,508
Undeveloped land	419,116
Geological and geophysical	95,195
Capitalized administration	82,667
Tangible equipment	4,088
Other	131,226
Total	$ 7,648,680

On November 18, 2002, the Company completed the acquisition of oil and natural gas properties in Central Alberta. The properties consisted of 450 boe/d of production with natural gas and associated liquids production representing approximately 84% of the total production.

Mustang's capital program for the first nine months of 2003 is budgeted to be $7.65 million. The program will be funded by the Company's initial public offering and a combination of internal funds from operations, the Company's bank facility and additional equity to be raised in 2003.

Drilling Activity

During 2002, Mustang drilled 7 wells (2.6 net). Of the total, 4 (1.8 net) were exploration wells and 3 (0.8 net) were development wells. For 2003, Mustang expects to drill between 15 and 25 wells with the majority being exploration wells in order to expend the remaining flow-through funds on qualifying exploratory expenditures.

Drilling Results	Gross	Net
Gas	3	1.1
Suspended	1	0.5
Dry and abandoned	3	1.0
	7	2.6

Undeveloped Land

The Company's undeveloped lands were evaluated independently as at December 31, 2002 by Seaton-Jordan & Associates Ltd.

Undeveloped Land Summary	
Gross acres	52,205
Net acres	16,237
Average working interest (%)	31
Value	$ 2,858,382

In 2003, Mustang expects that undeveloped land purchases will increase, especially in its Sylvan Lake core area.

Reserves and Future Net Revenue

McDaniel & Associates Consultants Ltd. (McDaniel) independently evaluated the Company's reserve base in a report effective January 1, 2003. All of the Company's reserves are in Alberta. Natural gas volumes are converted to an oil equivalent basis using a conversion factor of 6 mcf of gas to 1 bbl of oil.

As of January 1, 2003, Mustang's established (proven plus 1/2 probable) reserve base was 1,488,500 boe equivalent. Natural gas accounted for 76% of the new reserve base, natural gas liquids 12% and crude oil 12%. Total proven reserves represent 72% of the total established reserves.

Mustang's proven reserve base was 1,071,000 boe equivalent. Proven producing reserves represent 81% of the total proven reserve base. Future capital costs required to develop the proven non-producing reserves are estimated to be $570,000. Two wells representing 56% of the proven non-producing reserves were placed on production by March of 2003.

Crude oil reserves range in API gravity from 35 to 40 degrees with no heavy oil reserves.

The following table is a summary, as at January 1, 2003 of Mustang's petroleum and natural gas reserves and present net worth of future cash flows associated with such reserves as evaluated by McDaniel. It is important to note that these estimates are subject to positive and negative revisions as additional reservoir and production information becomes available. The reserves attributed to Mustang's reserves are based on judgments regarding future events; therefore actual results will vary and the variations may be material. There is no assurance that prices used and cost assumptions will be attained and variances could be material. All estimated future cash flows are stated prior to provision for income taxes and indirect costs but after deduction of operating costs, royalties and estimated future capital expenditures. The McDaniel report is based on certain factual data supplied by the Company and McDaniel's opinion of reasonable industry practice. The present net worth of estimated future cash flows contained in the following table may not be representative of the fair market value of the reserves.

Reserves Summary at January 1, 2003

	Reserve Volumes				Present Value of Future Cash Flows ($millions) Discounted at Rates (%) of				
	Crude Oil (mbbls)	NGLs (mbbls)	Natural Gas (mmcf)	Boe (mboe)	0	10	12	15	20
Proven developed producing	161	99	3,642	866	12,289	10,047	9,643	9,088	8,292
Proven developed non-producing	–	13	865	157	2,675	1,776	1,681	1,563	1,409
Proven undeveloped	–	2	276	48	890	659	624	577	511
Total proven	161	114	4,783	1,071	15,854	12,482	11,948	11,228	10,212
Probable	44	130	3,963	836	13,351	7,717	7,104	6,347	5,390
Total proven plus probable	205	244	8,746	1,907	29,205	20,199	19,052	17,575	15,602
Total established	183	179	6,765	1,489	22,530	16,341	15,500	14,402	12,907

Reserve volumes are before the deduction of royalty interests. Alberta Royalty Tax Credit is included in the reserve values. The following is a summary of the price forecasts used:

	Crude Oil		Natural Gas	
Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price ($Cdn/bbl)	Henry Hub ($US/mmbtu)	Alberta Plantgate Index ($Cdn/mmbtu)
2003	26.00	39.60	4.08	5.15
2004	24.00	35.90	3.81	4.85
2005	22.90	33.70	3.63	4.65
2006	22.80	33.00	3.58	4.65
2007	23.30	33.20	3.66	4.65
2008	23.80	33.90	3.69	4.70
2009	24.30	34.60	3.77	4.80
2010	24.80	35.30	3.85	4.90
2011	25.30	36.00	3.93	5.00
2012	25.80	36.70	4.00	5.10
2013	26.30	37.50	4.08	5.20
2014	26.80	38.20	4.16	5.30

Liquidity and Capital Resources

The successful initial public offering on August 21, 2002 allowed Mustang to raise $8,206,000 in total equity before share issue costs of $793,681. Total equity raised included $7.4 million from the initial public offering, net of share issue costs, and $0.7 million from founders' shares. At December 31, 2002, there were 7,953,001 Class A shares outstanding of which 4,713,006 comprised the public float.

As part of the initial public offering Mustang issued 738,540 Class B flow-through shares at a price of $10.00/share and 4,103,000 Class A flow-through shares at a price of $0.20/share. The Company has renounced tax pools worth $8,206,000 effective December 31, 2002 in Canadian Exploration Expense (CEE) to the holders of the Class A and Class B shares. As at December 31, 2002 the Company has spent a total of $1,357,453 and the remaining $6,848,547 will be spent on its exploratory program in 2003.

The Class B shares are convertible (at the option of the Company) at any time after December 31, 2005 and before December 31, 2007, into Class A shares. The ratio is calculated by dividing $10.00 by the greater of $1.00 or the prevailing market price of Class A shares. If conversion has not occurred by the close of business on December 31, 2007, the Class B shares become convertible (at the option of the shareholder) into Class A shares on the same basis. Effective on February 1, 2008, all remaining Class B shares will automatically be converted to Class A shares on the same basis.

In 2002, the Company granted 915,000 Class A stock options at an average price of $0.45/share to employees and directors of the Company. In September 2002, the Company issued 320,000 warrants to two employees of the Company. Each warrant is exercisable into one Class A share of the Company at an exercise price of $1.50/share. Each employee's right to subscribe for and purchase Class A shares will be subject to the Company meeting a production target on or before certain dates. Aligning the exercise of warrants to production targets reflects Mustang's focus on growth performance. Please refer to Note 7[i] of the financial statements for further details. The issuance of the warrants is subject to shareholders' approval at the Company's next annual general meeting.

Subsequent to period end, the Company obtained a revolving production loan facility to a maximum of $2,700,000.

Net Asset Value

Mustang's fully diluted net asset value per share has grown 126% from $0.88/share at inception to $1.99/share at December 31, 2002 (both calculations are made converting Mustang's Class B shares into Class A shares on a 1:1 basis).

	At Dec. 31, 2002	At Inception
Established reserve value discounted at 10% before tax	$ 16,340,500	$ –
Undeveloped land (16,226 net acres)	2,858,382	–
Working capital	782,305	8,132,320
Property acquisition subsequent to year end (NOTE 1)	(1,144,824)	–
Proceeds from exercise of options and warrants	888,250	292,250
Total	$ 19,724,613	$ 8,424,570
Fully diluted outstanding shares (NOTE 2)	9,926,541	9,526,541
Net asset value per fully diluted share	$ 1.99	$ 0.88

Note 1: Per note 9[a] of the financial statements, Mustang acquired additional natural gas reserves in Clive, Alberta, which was included in the Company's year end reserve report.

Note 2: Converting the Class B shares into Class A shares on a 1:1 basis

Assuming the Class B shares are converted into Class A shares at the last 30 day weighted average trading price of the Class A shares (being $1.78), the fully diluted net asset value per share is $1.48 at December 31, 2002.

Business Risks and Prospects

Mustang is exposed to several operational risks inherent in exploring, developing and marketing crude oil and natural gas. These risks include:

- economic risk of finding and producing reserves at a reasonable cost;
- financial risk of marketing reserves at an acceptable price given market conditions;
- cost of capital risk associated with securing the needed capital to carry out the Company's operations; and
- the risk of carrying out operations with minimal environmental impact.

Mustang strives to manage or minimize these risks in a number of ways, including:

- employing qualified professional and technical staff;
- concentrating in a limited number of areas with low cost exploration and development objectives;
- reducing high risk exploration exposure through joint venture relationships;
- utilizing the latest technology for finding and developing reserves;
- constructing quality, environmentally sensitive, safe production facilities;
- maximizing operational control of drilling and producing operations;
- mitigating price risk through strategic hedging; and
- adhering to conservative borrowing guidelines.

In regards to commodity hedging, Mustang seeks to use strategies that allow minimum price expectations to be met while preserving most of the Company's exposure to higher prices.

Mustang also carries environmental liability, business interruption, property and general liability insurance.

Health, Safety and Environmental Policy

The health and safety of employees, contractors and the public, as well as the protection of the environment, is of utmost importance to Mustang. The Company endeavours to conduct its operations in a manner that will minimize both adverse effects and consequences of emergency situations by:

- complying with government regulations and standards;
- operations consistent with industry codes, practices and guidelines;
- ensuring prompt, effective response and repair to emergency situations and environmental incidents;
- providing training to employees and contractors to ensure compliance with company safety and environmental rules and procedures; and
- communicating openly with members of the public regarding our activities.

Mustang believes that all employees have a vital role in achieving excellence in environmental, health and safety performance. This is best achieved through careful planning and the support and active participation of everyone involved.

Outlook

Mustang enters 2003 well positioned to continue to generate solid, sustainable per share growth for its shareholders. In its first six months of operation, Mustang has assembled a quality natural gas weighted production base comprising 1.49 million boe of established reserves and approximately 16,000 net acres of undeveloped land.

Mustang will continue to seek out opportunities to acquire at reasonable costs, complementary assets that fit into its strategy to increase Mustang's reserve and production base. As well, the Company will in 2003 prudently invest the exploration capital obtained through its original share offering to take advantage of its solid inventory of exploration prospects.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management of Mustang Resources Inc. is responsible for the preparation of all information included in this annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect Management's best estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. The financial information contained elsewhere in this annual report has been reviewed to ensure consistency with that in the financial statements.

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that financial statements realistically report the Company's operating and financial results and that the Company's assets are safeguarded. Management believes that this system of internal control has operated effectively for the period ended December 31, 2002.

In June 2002, Collins Barrow Calgary LLP, an independent firm of chartered accountants, was appointed by a resolution of the Board of Directors of Mustang Resources Inc. to audit the financial statements of the Corporation and provide an independent professional opinion. Collins Barrow Calgary LLP was appointed to hold such office until the first annual meeting of the Shareholders of the Corporation.

The Board of Directors, through its Audit Committee, has reviewed the financial statements including notes thereto with Management and Collins Barrow Calgary LLP. The members of the Audit Committee are composed of independent directors who are not employees of the Company. The Company's Board of Directors has approved the information contained in the financial statements based on the recommendation of the Audit Committee.

R Todd

Richard A.M. Todd
President and Chief Executive Officer
March 31, 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Mustang Resources Inc. as at December 31, 2002 and the statements of operations and retained earnings and cash flows for the period from commencement of operations, July 1, 2002 to December 31, 2002. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the period from commencement of operations, July 1, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Collins Barrow Calgary LLP

Chartered Accountants, Calgary, Alberta
February 21, 2003

Balance Sheet

as at December 31, 2002

Assets	
Current assets	
Cash and cash equivalents	$ 2,107,876
Accounts receivable and prepaid deposits	1,269,541
	3,377,417
Property and equipment (NOTE 3)	7,492,880
	$ 10,870,297
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	$ 2,595,112
Provision for site restoration (NOTE 4)	23,000
Future income taxes (NOTE 5)	278,145
	2,896,257
Shareholders' equity	
Share capital (NOTE 7)	7,944,860
Retained earnings	29,180
	7,974,040
	$ 10,870,297

See accompanying notes to financial statements.

Approved by the Board,

R. Todd

Director

Director

Statement of Operations and Retained Earnings

for the period from Commencement of Operations, July 1, 2002 to December 31, 2002

Revenue		
Petroleum and natural gas sales	$	760,079
Royalties		(122,033)
		638,046
Other income		59,888
		697,934
Expenses		
Production		140,702
General and administrative		308,567
Depletion, depreciation and site restoration		178,800
		628,069
Earnings before taxes		69,865
Future income taxes (NOTE 5)		40,685
Net earnings, being retained earnings, end of period	$	29,180
Earnings per share – basic	$	0.00
– diluted	$	0.00

See accompanying notes to financial statements.

Statement of Cash Flows

for the period from Commencement of Operations, July 1, 2002 to December 31, 2002

Cash provided by (used for)	
Operating activities	
Net earnings	$ 29,180
Add items not affecting cash	
Depletion, depreciation and site restoration	178,800
Future income taxes	40,685
Funds from operations	248,665
Change in non-cash working capital	
Accounts receivable	(671,554)
Prepaid deposits	(65,644)
Accounts payable and accrued liabilities	261,648
	(226,885)
Investing activities	
Additions to property and equipment	(7,598,680)
Change in non-cash working capital	
Accounts receivable	(532,343)
Accounts payable and accrued liabilities	2,333,464
	(5,797,559)
Financing activities	
Issuance of share capital	8,206,000
Share issuance costs	(793,681)
	7,412,319
Increase in cash and cash equivalents	1,387,875
Cash and cash equivalents, beginning of period	720,001
Cash and cash equivalents, end of period	$ 2,107,876
Cash and cash equivalents is comprised of:	
Balances with banks	$ 57,876
Short-term deposits	2,050,000
	$ 2,107,876

Cash and cash equivalents beginning of period of $720,001, was from initial private capital that was issued prior to commencement of commercial operations.

Excluded from the statement of cash flows is the acquisition of property and equipment by issuance of share capital in the amount of $50,000 (NOTE 7[c]).

See accompanying notes to financial statements.

December 31, 2002

1 Incorporation and Nature of Operations

Mustang Resources Inc. (the "Corporation") was incorporated under the laws of the Province of Alberta on March 13, 2002. The Corporation filed Articles of Amendment on June 19, 2002 amending its share capital to designate the Class A Common shares, Class B Common shares and Class C Preferred shares to Class A shares, Class B shares and Preferred Shares (Issuable in Series) and to vary the rights attaching thereto. On July 26, 2002 the Corporation filed Articles of Amendment to remove private company provisions and share transfer restrictions. The Corporation is a public company that trades on the TSX Venture Exchange and is engaged in the exploration for and development and production of petroleum and natural gas in Western Canada.

2 Significant Accounting Policies

(a) Property and equipment

The Corporation follows the Canadian full cost method of accounting for petroleum and natural gas operations whereby all costs relating to the exploration for and the development of petroleum and natural gas properties and related reserves will be capitalized into a single Canadian cost centre. Such costs include those related to lease acquisition, geological and geophysical activities, lease rentals on non-producing properties, drilling of productive and non-productive wells, tangible production equipment, and that portion of general and administrative expenses directly attributable to exploration and development activities. Proceeds received from the disposal of properties are normally deducted from the full cost pool without recognition of a gain or loss, unless such a disposition would significantly alter the rate of depletion and depreciation. When a significant portion of properties is sold, a gain or loss is recorded and reflected in the statement of operations.

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed quarterly to ascertain whether impairment has occurred. When proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the full cost pool. Depletion of petroleum and natural gas properties and depreciation of production equipment and facilities is calculated using the unit-of-production method based upon estimated proved reserves, before royalties, as determined by independent engineers. For purposes of the calculation, petroleum and natural gas reserves and production are converted to equivalent volumes based upon relative energy content whereby one barrel of oil equals six thousand cubic feet of natural gas.

The Corporation applies a "ceiling test" to capitalized costs less accumulated depletion and depreciation to ensure that such costs do not exceed an amount equal to the estimated undiscounted value of future net revenues from production of proved reserves at year end product prices less future administrative, financing, site restoration and income tax expenses.

Substantially all of the Corporation's exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Corporation's proportionate interest in such activities.

Depreciation is provided on computer and office equipment at annual rates of 20% to 30% on a declining balance basis.

(b) Future site restoration and abandonment costs

The Corporation makes a provision for future site restoration and abandonment costs, based on the unit-of-production method. Costs included are the cost of production equipment removal and environmental clean up which are based upon current regulations, costs, technology and industry standards. The accumulated provision is reflected as a deferred liability and actual site restoration costs are deducted from the accumulated provision in the year incurred.

(c) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks and investments in highly liquid short-term deposits.

(d) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(e) Stock options

The Corporation has a stock option plan as described in note 7[g]. No compensation expense is recognized when stock options are issued to directors, officers and employees. Any consideration received by the Corporation on exercise of stock options will be credited to share capital.

(f) Flow-through shares

The Corporation will from time to time issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, share capital will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by the Corporation as a result of the renunciations, when the expenditures are made.

(g) Per share information

Earnings per share is calculated based on the weighted average number of shares outstanding from the Commencement of Operations July 1, 2002 to December 31, 2002, which was 6,793,458 Class A shares and 529,822 Class B shares. For purposes of this calculation, the Class B shares are converted into Class A shares at $10 divided by the last 30 day weighted average price of the Class A shares, which is $1.78. Total converted shares had a weighted average of 9,776,932 shares. Under the treasury stock method, only “in the money” options are included in the weighted average diluted number of shares. It is also assumed that any proceeds obtained upon the exercise of options would be used to repurchase shares at the weighted average market price during the period. The weighted average number of shares is then reduced by the number of shares acquired. The number of diluted shares outstanding at December 31, 2002 was 10,216,432. The warrants as described in note 7[i] are not included in the number of diluted shares since they are subject to shareholders’ approval at the Corporation’s next annual general meeting.

(h) Measurement uncertainty

The amounts recorded for depletion and depreciation of petroleum and natural gas properties and equipment and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. The amounts disclosed relating to fair values of stock options issued and the resultant pro-forma income effects (NOTE 7[h]) are based on estimates of future volatility of the Corporation’s share price, expected lives of the options, expected dividends to be paid by the Corporation and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements from changes in such estimates in future periods could be significant.

(i) Financial instruments

Financial instruments of the Corporation consist of accounts receivable and accounts payable and accrued liabilities. As at December 31, 2002 there are no significant differences between the carrying values of these amounts and their estimated market values.

(j) Risk management

The Corporation enters into forward contracts to hedge its exposure to the risks associated with fluctuating petroleum and natural gas prices. The purpose of the contract is to lock in the price for a portion of the Corporation's production. Gains and losses associated with risk management activities are recorded as adjustments to the production revenue at the time the related production is sold.

(k) Revenue recognition

Revenue from the sale of petroleum and natural gas will be recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses will be recognized in the same period in which the related revenue is earned and recorded.

3 Property and Equipment

	Cost $	Accumulated Depletion and Depreciation $	Net $
Petroleum and natural gas properties, including exploration and development thereon	6,240,866	103,100	6,137,766
Production equipment and facilities	1,276,588	33,200	1,243,388
Computer and office equipment	131,226	19,500	111,726
	7,648,680	155,800	7,492,880

During the period ended December 31, 2002, the Corporation capitalized general and administrative expenses in the amount of $82,667 of total general and administrative expenses of $391,234.

Costs of undeveloped land amounting to $1,697,000 have been excluded from the depletion and depreciation calculation.

4 Site Restoration

As at December 31, 2002, the estimated future site restoration costs to be incurred over the life of the proved reserves are $1,262,000 of which $23,000 has been expensed in the current period. Actual payments for abandonment during the period ended December 31, 2002 were nil.

5 Income Taxes

(a) Significant components of the future income tax liability at December 31, 2002 include the following:

Carrying value of property and equipment in excess of available tax deductions	$ 720,830
Future site restoration	(7,266)
Non-capital loss carryforward	(145,945)
Financing costs	(280,444)
Other	(9,030)
Recognized future tax liability	$ 278,145

(b) Income tax expense differs from that which would be expected from applying the effective combined Canadian federal and provincial income tax rate of 42.12% to earnings before taxes as follows:

Expected income tax provision	$	29,427
Increase (decrease) resulting from:		
Non-deductible crown payments		45,439
Resource allowance		(26,319)
Other		(7,862)
	$	40,685

(c) The Corporation has non-capital losses of $346,498 for income tax purposes, which expire in 2009, and may be carried forward and applied against taxable income of future years.

6 Credit Facility

Subsequent to period end, the Corporation obtained a demand revolving production loan facility to a maximum of the least of $2,700,000 and the Borrowing Base as determined by the bank. The loan bears interest at a Canadian chartered bank's prime rate plus 1% per annum. The loan is secured by a General Security Agreement over all current and after acquired property of the Corporation and a floating charge debenture in the amount of $20,000,000 on all petroleum and natural gas assets acquired. As part of the loan agreement, the Corporation is required to meet certain financial-based covenants. The loan is subject to annual review with the first such review scheduled for June 1, 2003.

7 Share Capital

(a) Authorized

Unlimited number of voting Class A shares

Unlimited number of voting Class B shares

Unlimited number of Preferred Shares, issuable in series

(b) Issued and outstanding

	Number	Stated Value $
Class A Shares		
For cash as initial private capital	3,600,001	720,001
For cash pursuant to public offering (NOTE 7[e])	4,103,000	820,600
For property and equipment (NOTE 7[c])	250,000	50,000
	7,953,001	1,590,601
Class B Shares		
For cash pursuant to public offering (NOTE 7[e])	738,540	7,385,400
Share issue costs, net of future income taxes of $334,299		(459,382)
Tax effect of flow-through shares		(571,759)
Total share capital – December 31, 2002		7,944,860

(c) Seismic Data Assignment and Novation Agreement

Pursuant to a Seismic Data Assignment and Novation Agreement dated May 27, 2002, with Balsam Energy Corp. ("Balsam"), the Corporation was assigned all interest and obligations under certain seismic agreements undertaken by Balsam (the "Seismic Agreements"). Balsam is a corporation with a common officer. The Seismic Agreements provide a non-exclusive license to use specified 3D seismic data, subject to certain terms and conditions.

In exchange, the Corporation issued 250,000 Class A Shares to certain officers (the "Officers") of the Corporation at an attributed value of \$0.20/share for total consideration of \$50,000. This share issuance settled an obligation due by Balsam to the Officers for past geological and geophysical services rendered to Balsam. In addition, the Corporation will grant Balsam a 3% gross over-riding royalty on all petroleum and natural gas working interests obtained from the use of the 3D seismic data. This transaction has been recorded at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and Balsam.

(d) Class B shares

The Class B shares will be convertible, at the option of the Corporation, at any time after December 31, 2005 and before December 31, 2007, into Class A shares. The number of Class A shares obtained upon conversion of each Class B share will be equal to \$10.00 divided by the greater of \$1.00 and the current market price of Class A shares. If conversion has not occurred by the close of business on December 31, 2007, the Class B shares become convertible (at the option of the shareholder) into Class A shares on the same basis. Any Class B shares outstanding on February 1, 2008 shall be automatically converted into Class A shares.

(e) Flow-through shares

On August 21, 2002, the Corporation sold 4,103,000 Class A shares on a flow-through basis at an issue price of \$0.20/share for gross proceeds of \$820,600. The Corporation is committed to spend 100% of the funds on qualifying exploratory expenditures. As at December 31, 2002 the Corporation had renounced the full \$820,600 and had spent a total of \$135,745 of the funds on qualifying expenditures and will spend the remaining \$684,855 on its exploratory program in 2003 (NOTE 8).

On August 21, 2002, the Corporation sold 738,540 Class B shares on a flow-through basis at an issue price of \$10.00/share for gross proceeds of \$7,385,400. The Corporation is committed to spend 100% of the funds on qualifying exploratory expenditures. As at December 31, 2002 the Corporation had renounced the full \$7,385,400 and had spent a total of \$1,221,708 of the funds on qualifying expenditures and will spend the remaining \$6,163,692 on its exploratory program in 2003 (NOTE 8).

(f) Shares in escrow

Of the Class A shares issued to date, 3,239,995 shares are held in escrow and may not be released from escrow and traded without the written consent of the appropriate regulatory authorities. Every six months beginning March 26, 2003, an additional 539,999 Class A shares will be released from escrow pursuant to the Escrow Agreement.

(g) Options

In accordance with the rules and policies of the TSX Venture Exchange ("TSX-V"), the directors, employees and consultants of the Corporation may be granted options to acquire shares of the Corporation. All options are granted in compliance with the requirements of the TSX-V. The exercise price and vesting terms of any options granted are fixed by the board of directors of the Corporation at the time of grant, subject to the limitations of the TSX-V. Options are non-assignable and non-transferable. The options vest 20% immediately, with a one year hold on the recipient's right to exercise the options granted, and thereafter 20% per year over a 4 year period. Options outstanding at December 31, 2002 expire between September 2007 and December 2007, have exercise prices between $0.35 and $1.80/share and have a weighted average remaining contractual life of 4.70 years.

A summary of the status of the Corporation's outstanding stock options as at December 31, 2002 is as follows:

Outstanding stock options	Options #	Weighted Average Exercise Price $
Outstanding – beginning of period	–	–
Granted	915,000	0.45
Outstanding – end of period	915,000	0.45

The following table summarizes additional information about the Corporation's outstanding stock options as at December 31, 2002:

		Outstanding Stock Options	Exercisable Stock Options
Exercise price	Number	Weighted Average Remaining Contractual Life	Number
$0.35	835,000	4.67 years	–
$1.40	70,000	4.91 years	–
$1.80	10,000	4.94 years	–

(h) Stock based compensation

The Corporation accounts for its stock based compensation plans using the intrinsic value method whereby no compensation costs have been recognized in the financial statements for stock options granted to directors, officers and employees. The Corporation accounts for all stock based compensation arrangements with non-employees using the fair value method. As now required by Canadian generally accepted accounting principles, the impact on compensation costs of using the fair value method, if compensation costs had been recorded in net earnings, must be disclosed. If the fair value method had been used for options granted, the Corporation's net loss, and net loss per share would approximate the following pro forma amounts:

Period ended December 31, 2002	Amount $
Compensation costs	72,900
Net earnings (loss)	
As reported	29,180
Pro forma	(43,720)
Net earnings (loss) per share	
Basic	
As reported	0.00
Pro forma	0.00
Diluted	
As reported	0.00
Pro forma	0.00

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

December 31, 2002	
Risk free interest rate	4.5%
Expected hold period prior to exercise (years)	5
Expected volatility	70%
Dividend yield per share	–

The weighted average grant date fair value of options issued during the period was $1.27/option.

(i) Warrants

In September 2002, the Corporation issued 320,000 warrants to two employees of the Corporation. Each warrant is exercisable into one Class A share of the Corporation at an exercise price of $1.50/share. Each employee's right to subscribe for and purchase Class A shares shall be subject to the Corporation satisfying, on or before each target date set forth in the table below, the corresponding production target.

Production Target	Target Date	Number of Warrants Vested *(NOTE)*
300 boe/d	18 months after August 21, 2002	80,000
600 boe/d	18 months after August 21, 2002	80,000
900 boe/d	24 months after August 21, 2002	80,000
1,200 boe/d	30 months after August 21, 2002	80,000

Note: In order for the warrants to vest, the full cycle finding and development cost of production must be equal or less than $7.50/boe of total proven reserves plus half probable reserves, as determined by independent engineers of the Corporation.

The Corporation's production for the purposes of assessing whether a production target has been satisfied is equal to the aggregate average production of all wells resulting from new drilling of exploration and development locations located in the Seismic Areas, as such term is defined in the Seismic Data Assignment and Novation Agreement between Balsam Energy Corp. and Mustang Resources Inc. (see note 7[c]). For greater certainty, all production derived from any infill locations on existing pools located in the Seismic areas are excluded from the calculation of production. Production shall be measured over any six-month period preceding the applicable Target Date and shall be based on the Company's net working interest production in barrels of oil equivalent of natural gas and crude oil on the basis of one barrel of oil equivalent for ten thousand cubic feet of natural gas ("boe"). The vesting of the warrants is not cumulative. The rights earned to purchase Class A shares shall expire 12 months from the date on which the warrants vest. The issuance of the warrants is subject to shareholders' approval at the Company's next annual general meeting.

8 Commitments

(a) The Corporation is committed to spending $6,848,547 on qualifying exploratory expenditures relating to various flow-through agreements (NOTE 7[e]).

(b) The Company is committed to payments for office space as follows:

Calendar Year	Amount $
2003	96,000
2004	127,000
2005	149,000
2006	89,000

In addition, the Company is required to pay its share of operating expenses and taxes, for the duration of the office lease.

9 Subsequent Events

(a) **Property acquisition**

On February 18, 2003, the Corporation exercised its option to purchase an additional natural gas well located in Clive, Alberta for approximately $1.15 million, net of adjustments. The effective date was May 1, 2002, however this transaction has been accounted for as of the closing date, February 19, 2003. The acquisition was funded through internal working capital.

(b) **Fixed price contract**

On February 6, 2003 the Corporation entered into a natural gas costless collar for a volume of 1,000 GJ/d with a floor price of $4.75/GJ and a ceiling of $9.60/GJ for the period from April 1, 2003 to November 1, 2003. This contract has firm delivery obligations and is therefore considered to be a forward commitment contract, not a financial instrument.

Corporate Information

FOUNDERS

Richard Todd
President and CEO, Mustang Resources Inc.

Guy Turcotte
Chairman and CEO, Fort Chicago Energy
Chairman, President and CEO, Western Oil Sands Inc.

DIRECTORS

Richard Todd
Chairman of the Board

Donald Archibald (1)(3)
President and CEO, Cequel Energy Inc.

Bill Friley Jr. (1)(2)(3)
President and CEO, Telluride Oil and Gas Ltd.

Kel Johnston (1)(2)(3)
Vice-President, Exploration, Impact Energy Inc.

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Reserves Committee

MANAGEMENT

Richard Todd
President and CEO

Darcy Anderson
Chief Financial Officer

Kevin Angus
Vice-President, Exploration

Glenn Booth
Vice-President, Land

Patrick Mills
Vice-President, Engineering, Operations and Acquisitions

Darren Steffes
Chief Geologist

MUSTANG ABBREVIATIONS

bbls	barrels	/d	per day
mbbls	thousand barrels	bcf	billion cubic feet
mcf	thousand cubic feet	mmbtu	million British thermal units
mmcf	million cubic feet	GJ	gigajoules
boe	barrel of oil equivalent (6 mcf = 1 bbl)	ARTC	Alberta Royalty Tax Credit
mboe	thousand boe		

Banker
Alberta Treasury Branch
Calgary, Alberta

Auditor
Collins Barrow Calgary LLP
Calgary, Alberta

Legal Counsel
McCarthy Tétrault LLP
Calgary, Alberta

Evaluation Engineers
McDaniel & Associates Consultants Ltd.
Calgary, Alberta

Registrar and Transfer Agent
Valiant Trust Company
Calgary, Alberta

Stock Exchange
TSX Venture Exchange

Stock Symbols
MUS.A and MUS.B

Shares Outstanding
Class A – 7,963,001
Class B – 738,540

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